

# **JEFFERSON, URIAN, DOANE & STERNER, P.A.**

## **DELMAR SCHOOL DISTRICT**

### **INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES**

**JUNE 30, 2008**

**FIELDWORK END DATE: SEPTEMBER 12, 2008**

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## Independent Accountant's Report on Applying Agreed-Upon Procedures

Dr. David Ring, Jr.  
Superintendent  
Delmar School District  
200 N. Eighth Street  
Delmar, Delaware 19940

The Honorable Valerie A. Woodruff  
Secretary, Department of Education  
Townsend Building, Suite 2  
401 Federal Street  
Dover, Delaware 19901

We have performed the procedures enumerated below, which were agreed to by Delmar School District; the Office of Auditor of Accounts; and the State of Delaware Department of Education, solely to assist the specified parties in evaluating the School District's compliance with criteria from the State of Delaware Capital Asset Policy Manual, the State of Delaware Department of Education School Construction Technical Assistance Manual, the Delaware Code, and the State of Delaware Budget and Accounting Policy Manual relative to the school construction projects administered by the School District for the year ended June 30, 2008. Delmar School District's management is responsible for compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* (2007) issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Determine if the School District's policies and procedures for identifying, tracking, and recording capital assets are adequate.

There are no findings upon completion of Delmar School District's construction program and project checklists.

2. Determine whether the School District's construction project records and files (current and prior fiscal years) are accurate.

Upon completion of Delmar School District's construction program and project checklist, our procedures resulted in finding(s), see *Appendix A*.

3. Determine if expenditures are accurately stated and are made in accordance with the State Capital Asset Policy Manual and the intent of the project scope mandated by the General Assembly, the Department of Education, and the Local Board of Education.

Upon completion of Delmar School District's construction program and project checklist, our procedures resulted in finding(s), see *Appendix A*.

4. Determine whether the School District's construction project records and files include only active construction projects as of June 30, 2008. Ensure that completed projects have been appropriately closed out of construction and added to the State Fixed Asset system.

There are no findings upon completion of Delmar School District's construction program and project checklists. No projects were completed during the fiscal year ended June 30, 2008.

5. Prepare the School District's Schedule of Construction Projects for Fiscal Year 2008.

See *Appendix C*.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Delmar School District management and Board Members, the Office of Auditor of Accounts, and the State of Delaware Department of Education, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited. This report, as required by statute, was provided to the Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget, Department of Finance, the State Treasurer's Office, and the Office of Auditor of Accounts.

*Jefferson, Urian, Doane & Sterner, P.A.*

Georgetown, Delaware  
September 12, 2008

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# SCHEDULE OF FINDINGS & RECOMMENDATIONS

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## APPENDIX A

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### ***Procedure Agreed Upon #2***

#### ***Finding 08-01:***

During completion of Delmar School District's construction program and project checklist for Delmar Jr./Sr. High School renovations, it was noted that the School District failed to submit the proper documentation to the Department of Education as required by the School Construction Technical Assistance Manual, Section 2.0, Paragraph 7.2.1. The manual states that submission of a change order must include the following documents: completed purchase order as applicable, local board of education minutes identifying and approving the changes, completed AIA document G701, and correspondence that gives a breakdown in materials mark-up and other expenses. Personnel were only submitting the purchase order modifications or encumbrance adjustments. Noncompliance with State of Delaware provisions, including School Construction Technical Assistance Manual, could result in frauds, errors, and irregularities.

#### ***Recommendation:***

Delmar School District should establish procedures to ensure that change orders submitted to Department of Education for processing are accompanied by proper documentation such as local board of education minutes identifying and approving the changes, completed AIA document G701, and correspondence that gives a breakdown in materials mark-up and other expenses.

#### ***School District's Response:***

*"Delmar School District will amend the district construction policies and procedures to include specific instructions regarding change order documentation. A copy of the checklist will be added to the policy to ensure all requirements are being met. The required change order documentation was forwarded to the Department of Education after the fact."*

#### ***Finding 08-02:***

During completion of Delmar School District's project checklist for the Delmar Jr./Sr. High School renovations, it was noted that School District personnel did not record the correct amount on encumbrance adjustment EAE 95117207, processed to reflect change orders to the construction management contract. The contract obligation, including change orders as of June 30, 2008, was \$ 2,908,318; however, the School District encumbered \$ 3,384,036, after adjustment. State of Delaware Budget and Accounting Policy Manual XII.D.3.n requires the School District to have documentation of need and original change orders with supporting purchase order modifications to update associated purchase orders. This error was due to an oversight by District personnel and resulted in an overstatement of encumbrances for the School District of \$ 475,718 at June 30, 2008.

#### ***Recommendation:***

Delmar School District should correct the over-encumbrance of \$ 475,718.

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# SCHEDULE OF FINDINGS & RECOMMENDATIONS

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## APPENDIX A

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### ***Finding 08-02:***

#### ***School District's Response:***

*"The school district has finalized the purchase order in question and the over-encumbrance has been added back to appropriation 7712 as unexpended funds. Financial personnel have been instructed not to process any financial documents without proper documentation attached, as noted in the district's Internal Control Policy."*

#### ***Procedure Agreed Upon #3***

### ***Finding 08-03:***

During completion of Delmar School District's program and project checklist for the Delmar Jr./Sr. High School renovations, it was noted that one of thirty expenditures sampled was not properly coded. School District personnel inadvertently coded an expenditure totaling \$ 80 related to paving the new parking lot project (appropriation 7511) to Jr./Sr. High school renovations project (appropriation 7712). The certificate of necessity authorized funding for planning, construction, and equipping of renovations to the existing Delmar Jr./Sr. High School. 29 Del. C. §7415 requires that funds appropriated by an authorization act be used only for the costs of the projects set forth in such act. This was an oversight by School District personnel. Inadequate monitoring and reviewing of purchase orders and payment vouchers could result in fraud, errors and irregularities.

#### ***Recommendation:***

Delmar School District should process an expenditure correction to repay appropriation 7712 for the \$ 80 miscoding.

#### ***School District's Response:***

*"An expenditure correction has been processed to repay appropriation 7712."*

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# SCHEDULE OF PRIOR YEAR FINDINGS

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APPENDIX B

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The following schedule summarized the prior year findings and the status of the prior year findings.

Prior Year Finding	Recommendation	Status of Prior Year Finding
<p>05-01 - During completion of Delmar School District's construction program and project checklist for the renovations to the Delmar Jr./Sr. High School, it was noted that the state and local project funds were inappropriately expended. The certificate of necessity authorized funding for planning, construction, and equipping of renovations to the existing Delmar Jr./Sr. High School, including the addition of six classrooms and a 1500 square foot addition to the cafeteria. 29 Del. C. §7415 requires that funds appropriated by an authorization act be used only for the costs of the projects set forth in such act.</p> <p>Upon testing of a sample of expenditures, five of the twelve expenditures were not within the project scope set forth in the certificate of necessity. Those funds were used to pave the new parking lot and driveway located near the chorus/band room and for installation of a dust and fume collection system in the Technical, Shop, and Agri-science Lab. The five expenditures total \$ 48,583.09 and were charged to appropriation 7510.</p>	<p>Delmar School District should repay appropriation 7510 \$ 48,583.09.</p>	<p>Implemented.</p>

# SCHEDULE OF PRIOR YEAR FINDINGS

APPENDIX B

Prior Year Finding	Recommendation	Status of Prior Year Finding
07-01 - During completion of Delmar School District's construction program and project checklist it was noted that the School District did not have written policies and procedures in accordance with the State of Delaware's Fixed Asset Accounting Policy Manual II.B. and II.C. The Manual requires each State organization to establish written procedures and controls necessary to implement and monitor prescribed fixed asset accounting and reporting policies, guidelines, and standards. School District personnel were unaware of this requirement. Delmar School District could potentially be exposed to fraud, misuse of appropriated funds, and improper capitalization of construction work-in-progress and completed projects when adequate policies and procedures are not in place.	Delmar School District should establish written procedures to ensure that the State's fixed assets are properly monitored, identified, and recorded.	Implemented.
07-02 - During completion of Delmar School District's project checklists for Delmar Jr./Sr. High School renovations, it was noted that the School District's project construction files did not contain certain information required by the State of Delaware Budget and Accounting Policy Manual, XII.D.3.d., XII.D.3.f., XII.D.3.m. and XII.D.3.p. School	Delmar School District should obtain and properly file the aforementioned items from all contractors for the Delmar Jr./Sr. High School renovations project.	Implemented.



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# SCHEDULE OF PRIOR YEAR FINDINGS

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APPENDIX B

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Prior Year Finding	Recommendation	Status of Prior Year Finding
07-02 - District personnel did not maintain copies of instructions to bidders and job specifications, each bidder's proposals, copy of a working budget after award of contract and certification on file of the official start of construction, respectfully. This was due to an oversight by School District personnel. Failure to comply with State of Delaware provisions, including Budget and Accounting Policy Manual, could result in fraud, errors, and irregularities.		
07-03 - During completion of Delmar School District's project checklists for Delmar Jr./Sr. High School renovations, it was noted that School District personnel were unable to determine whether bid bonds of at least ten percent accompanied bid proposals as specified by 29 Del. C. §6962(d)(8)a. They were also unable to provide evidence that the bid bonds were returned to successful and unsuccessful bidders as mandated by 29 Del. C. §6962(d)(8)b and the State of Delaware Budget and Accounting Policy Manual, XII.D.3.I. Bonds are to be returned to the successful bidder immediately upon awarding and execution of the contract. Securities of the unsuccessful bidders are to	Delmar School District should establish procedures to ensure that bid bonds are submitted with contractors' bid packages and then returned to the successful and unsuccessful bidders as required by Delaware Code provisions.	Implemented.

# SCHEDULE OF PRIOR YEAR FINDINGS

APPENDIX B

Prior Year Finding	Recommendation	Status of Prior Year Finding
07-03 - be returned within sixty (60) days after opening of bids. This was an oversight by the School District personnel. Noncompliance with provisions of the Delaware Code could potentially cause a delay in receiving future State funding.		
07-04 - During completion of Delmar School District's program and project checklist for Delmar Jr./Sr. High School renovations, it was noted that School District personnel were unable to determine if bidders submitted a detailed listing of their subcontractors for each project category as promulgated by 29 Del. C. §6962(d)(10)b. This was an oversight by School District personnel. Noncompliance with provisions of Delaware Code could potentially cause a delay in receiving future State funding.	Delmar School District should establish procedures to ensure that bidders are submitting a listing of subcontractors in accordance with guidelines established by the State of Delaware.	Implemented.
07-05 - During completion of Delmar School District's project checklists for Delmar Jr./Sr. High School renovations, it was noted that the School District did not comply with 29 Del. C. §6962(d)(13)a. and the State of Delaware Budget and Accounting Policy Manual, XII.D.3.g. for notifying successful bidders on the status of award of the contract within sixty (60) days after opening of sealed	Delmar School District should establish procedures to ensure that proper notifications to successful bidders are followed in accordance with the guidelines established by the State of Delaware.	Implemented.

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# SCHEDULE OF PRIOR YEAR FINDINGS

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APPENDIX B

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Prior Year Finding	Recommendation	Status of Prior Year Finding
07-05 - bids. This was an oversight by the School District. They were unable to provide evidence that this procedure was done. Noncompliance with provisions of the Delaware Code could potentially cause a delay in receiving future State funding.		
07-06 - During completion of Delmar School District's project checklists for Delmar Jr./Sr. High School renovations, it was noted that approval of the construction project was not obtained from the Architectural Accessibility Board as required by 29 Del. C. §7308(a) and the State of Delaware Budget and Accounting Policy Manual, XII.D.2. Construction plans and specifications must be submitted for review and approval prior to the start of construction. School District personnel were unable to determine if such approval was received by the Architectural Accessibility Board. This was an oversight by School District personnel. Noncompliance with State of Delaware provisions, including Delaware Code and Budget and Accounting Policy Manual, could potentially cause additional remedial project costs to be incurred by Delmar School District.	Delmar School District should establish procedures to ensure that proper approvals from the Architectural Accessibility Board are obtained in accordance with the guidelines established by the State of Delaware.	Implemented.

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# SCHEDULE OF PRIOR YEAR FINDINGS

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APPENDIX B

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**Status Key:**

Implemented

The concern has been addressed by implementing the original or an alternate corrective action.

Not Implemented

The corrective action has not been initiated.

Partially Implemented

The corrective action has been initiated but is not complete and the auditor has reason to believe management fully intends to address the concern.

# SCHEDULE OF CONSTRUCTION PROJECTS

APPENDIX C

Project Name	Fiscal Year	Original Funding Amount	De-auth Funding Amount	Total Project Funding to Date	Expended Current FY	Expended Prior FY's	Total Project Expended to Date	Total Unspent as of 06/30/08
Jr./Sr. High School Renovations	2005	\$ 1,575,000	\$ -	\$ 1,575,000	\$ 1,182,749	\$ 338,799	\$ 1,521,548	\$ 53,452
	2006	24,600	-	24,600	24,600	-	24,600	-
	2007	2,898,398	-	2,898,398	1,055,004	-	1,055,004	1,843,394
<b>Totals</b>		\$ 4,497,998	\$ -	\$ 4,497,998	\$ 2,262,353	\$ 338,799	\$ 2,601,152	\$ 1,896,846

Note 1 - The questioned costs of \$ 80 for Finding 08-03 are included in the current year expenditures for Jr./Sr. High Renovations.

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# DISTRIBUTION OF REPORT

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Copies of Delmar School District's Agreed-upon Procedures Attestation Engagement will be distributed by the Office of the Auditor of Accounts to the following public officials:

Executive Branch

The Honorable Ruth Ann Minner, Governor, State of Delaware  
The Honorable Richard S. Cordrey, Secretary, Department of Finance  
Mr. Michael S. Jackson, Acting Director, Office of Management and Budget  
The Honorable Valerie A. Woodruff, Secretary, Department of Education  
Ms. Trisha Neely, Director, Division of Accounting  
Mr. R. Thomas Wagner, State Auditor, Office of the Auditor of Accounts

Legislative Branch

The Honorable Russell T. Larson, Controller General, Office of Controller General

Other Elective Offices

The Honorable Joseph Biden, III, Attorney General, Office of the Attorney General  
The Honorable Jack Markell, Treasurer, State Treasurer's Office

Other

Ms. Dorcell S. Spence, Associate Secretary - Finance and Administrative Services Branch, Department of Education  
Dr. David Ring, Jr., Superintendent, Delmar School District